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Chapter

3

Managing Social Responsibility and Ethics

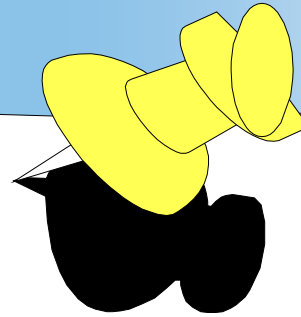
Learning Objectives

After reading this chapter, you should be able to:

- Apply the four key ethical criteria that managers and employees should use when making business decisions.
- Understand why businesses establish codes of ethics as a method of guiding employee conduct.
- Recognize ways to encourage ethical behavior in business.

Learning Objectives(continued)

- Make ethical decisions in morally challenging situations.
- Value corporate social responsibility.
- Understand the influence of various stakeholders on a company's priorities, policies, plans, and goals.



Ethics and social responsibility should be high-priority concerns of all members of an organization, not just managers and executives.

What are Business Ethics?

- ***Ethics*** are principles that explain what is right or wrong, good or bad, and what is appropriate or inappropriate in various settings
- ***Business ethics*** provide standards or guidelines for the conduct and decision making of employees and managers.

What are Business Ethics? (continued)

- **Without a code of ethics:**

- There is no consensus regarding ethical principles
- Different people will use different ethical criteria in determining whether a practice or behavior is ethical or unethical

- **Business ethics are not the same things as laws.**

Ethics Approaches

- **People utilize different ethical value systems**
- **These systems are based on:**
 - Personal experiences
 - Religious background
 - Education
 - Family training

Approaches for Ethical Decision Making

● Utilitarianism

- A means of making decisions based on what is good for the greatest number of people.

● Individualism

- The degree to which a society values personal goals, autonomy, and privacy over group loyalty, commitment to group norms, involvement in collective activities, social cohesiveness, and intense socialization.
- Individual self-interest should be promoted as long as it does not harm others.

Approaches for Ethical Decision Making

(continued)

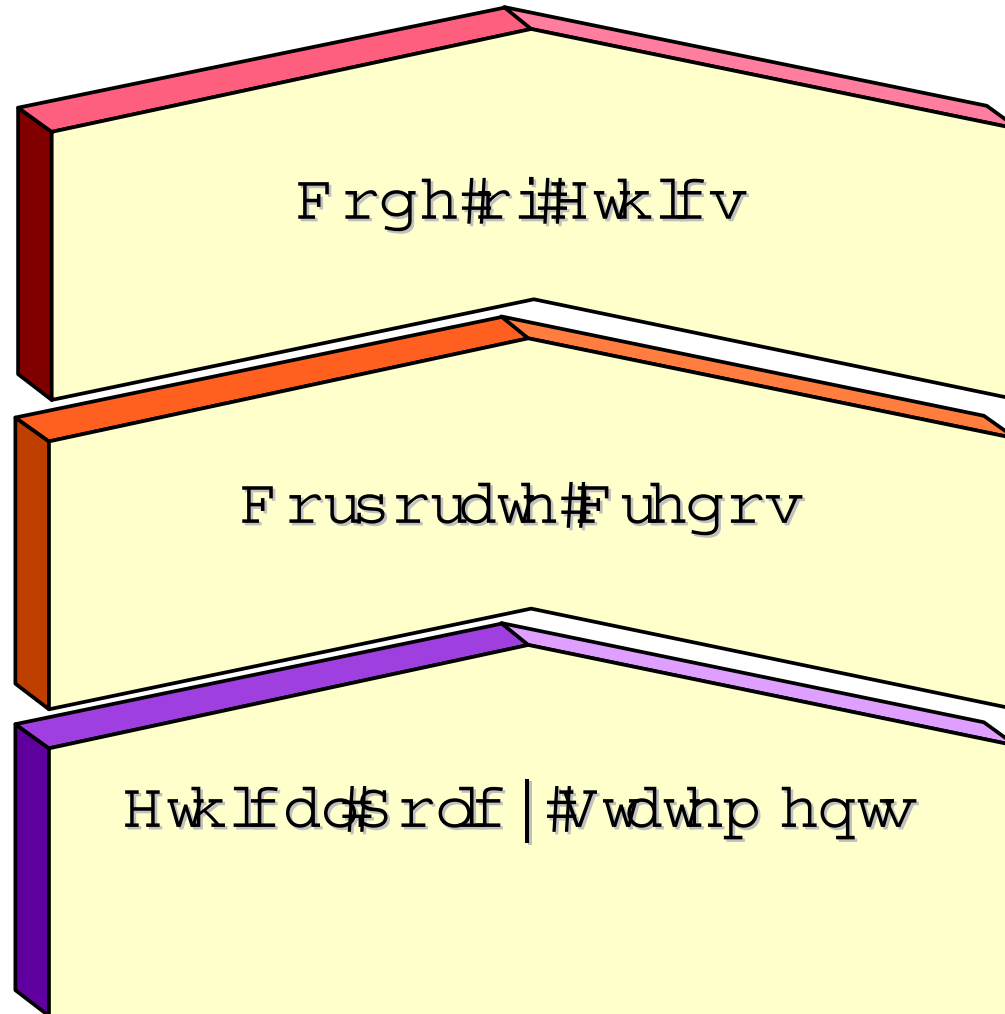
● Rights approach

- A means of making decisions based on the belief that each person has fundamental human rights that should be respected and protected.

● Justice approach

- An approach to decision making based on treating all people fairly and consistently when making business decisions.
 - ✓ Distributive Justice
 - ✓ Procedural Justice

A company needs to ensure agreement about the relevant criteria on which to judge the ethics of a business decision so that people do not base decisions on personal value systems.



Numerous companies have adopted ethical policy statements that inform employees of acceptable standards of conduct

● **St. Paul Companies**

- Employees may accept gifts of inexpensive pens or appointment diaries, but not liquor, lavish entertainment, travel, or clothing.

● **Eli Lilly and Company**

- Employees may not conduct business with a company with which they or their relatives are associated, unless Eli Lilly has given specific approval and authorization.

Company Examples (continued)

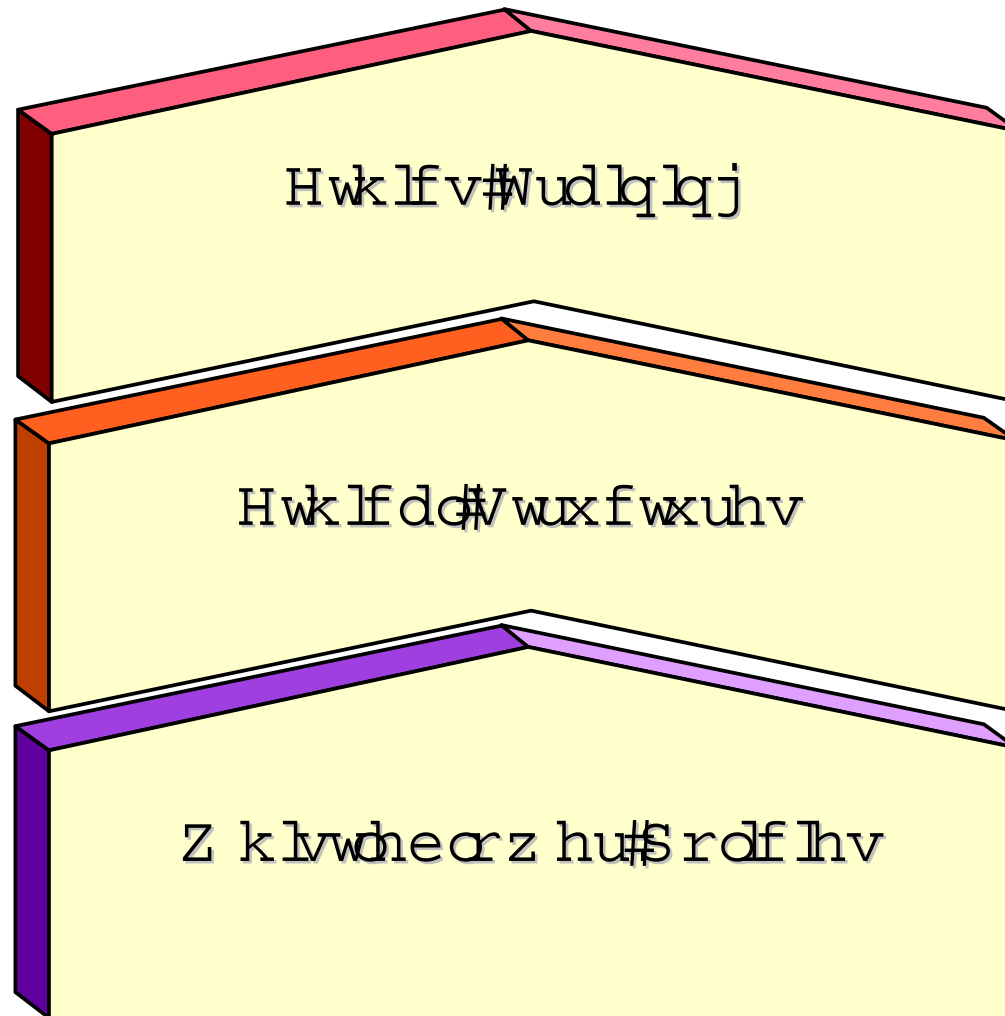
● **General Dynamics Corporation**

- Employees may not use or share inside information (that is not available to the general public) for personal gain.

● **J.D. Edwards and Company**

- Profanity and racial and sexual slurs are prohibited.
- Language should convey a loving, caring, and sensitive attitude toward other people.

Managing Ethics



Ethics Training

- **Usually contains three elements:**
 - Messages from top executives emphasizing ethical business practices
 - Discussion of Code of Ethics
 - Procedures for discussing or reporting unethical behavior



Ethical Structures

- **Ethical structures are the procedures and divisions or departments within a company that promotes and advocates ethical behavior.**
- **Two types of ethical structures:**
 - **Ethics Officer**
 - **Ethics Committee**

Whistleblower Policies Should Include the Following Key Features

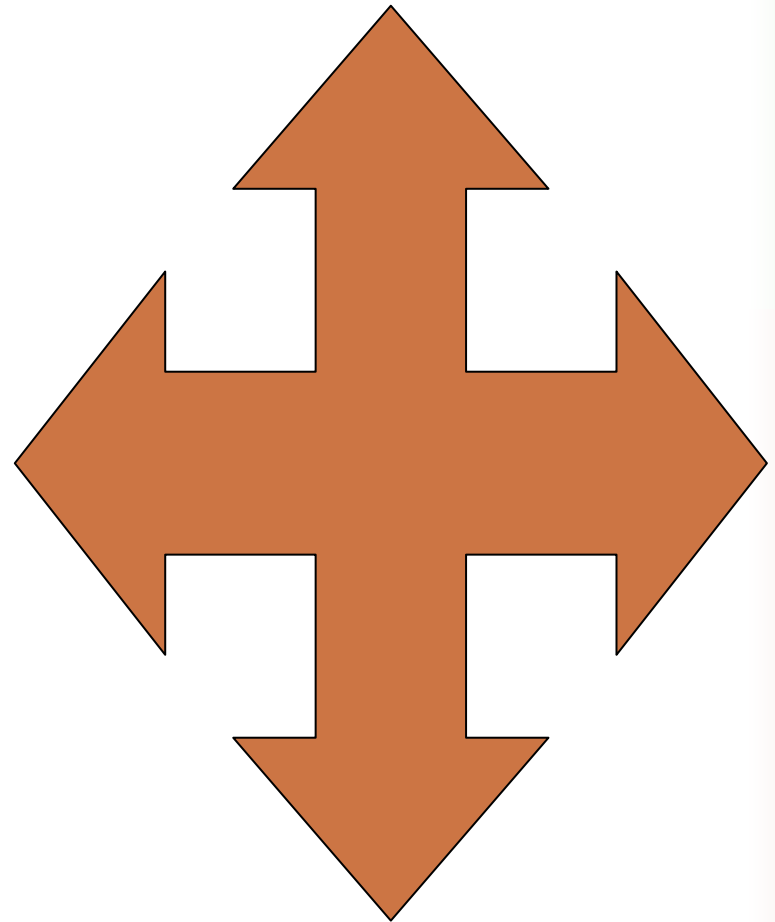
- **The policy encourages reporting unethical conduct.**
- **Meaningful procedure to deal fairly with reported violations.**
- **Those who report violations are protected from retaliation.**
- **Alternative reporting procedures.**
- **Anonymous reporting to an ethics officer/committee.**
- **Feedback to employees on ethics violations.**
- **Top management support and involvement.**

Eight Ways Managers Can Influence the Ethical Behavior of Associates

- **Take actions that develop trust.**
- **Act consistently.**
- **Be truthful and avoid white lies and manipulative actions.**
- **Demonstrate integrity.**
- **Meet with employees to discuss and define what is expected of them.**
- **Ensure employees are treated equitably.**
- **Adhere to clear standards that are seen as just and reasonable.**
- **Respect employees.**

Four Examples of Ethical Dilemmas At Work

- **Performance appraisal**
- **Employee discipline**
- **Office romance**
- **Giving gifts in the workplace**



Performance Appraisals

- **Formal evaluations of an employee's performance provided on a recurring basis**
- **To perform effective evaluations, the supervisor should devote substantial time to collecting accurate performance information**
- **Rating are used for:**
 - Letting employees know which skills they have mastered and which require improvement
 - A basis for pay increases, future work assignments, promotions, and sometimes layoffs



Employee Discipline

- **Guidelines for giving employee discipline in a fair and impartial way:**

- *Notify* employees in advance of a company's work rules and the consequences for violating them
- *Investigate* the facts of an employee's misconduct before applying discipline
- *Be consistent* in the response to rule violations



Office Romances

- **Suggestions for ethical employee conduct in a romantic relationship in the workplace:**
 - Public displays of affection at work should be eliminated
 - Employees should be prohibited from dating people they directly supervise

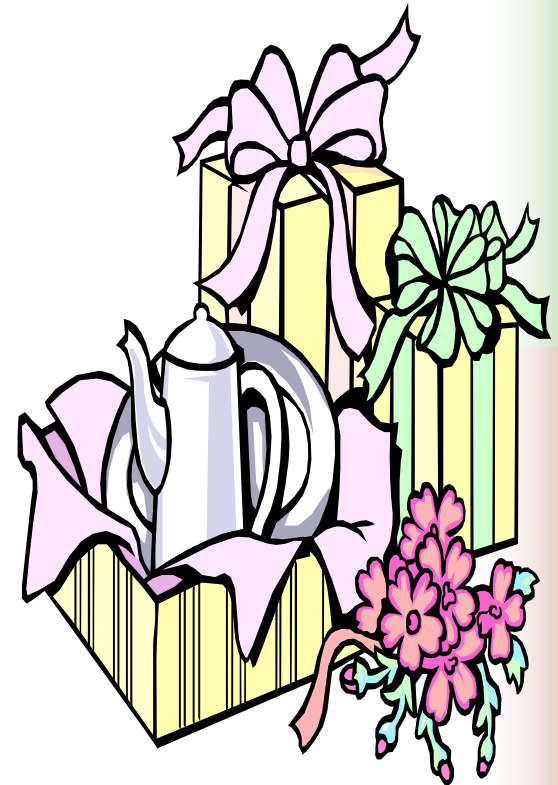


Giving Gifts

- **Ethical test of accepting gifts:**

- Think about how a manager or co-worker would perceive the gift and the person who gave it
- If you feel uncomfortable explaining the gift, the discomfort probably means it would be ethically problematic

- **The laws and ethics related to giving gifts between parties as a business practice are highly diverse from culture to culture**



Social Responsibility



- **Do corporations have a responsibility to conduct their affairs ethically?**
- **Should corporations be judged by the same standards as individuals?**
- **Should a business be concerned with more than the pursuit of profits for its shareholders?**

Benefits of Social Responsibility

Socially responsible companies:

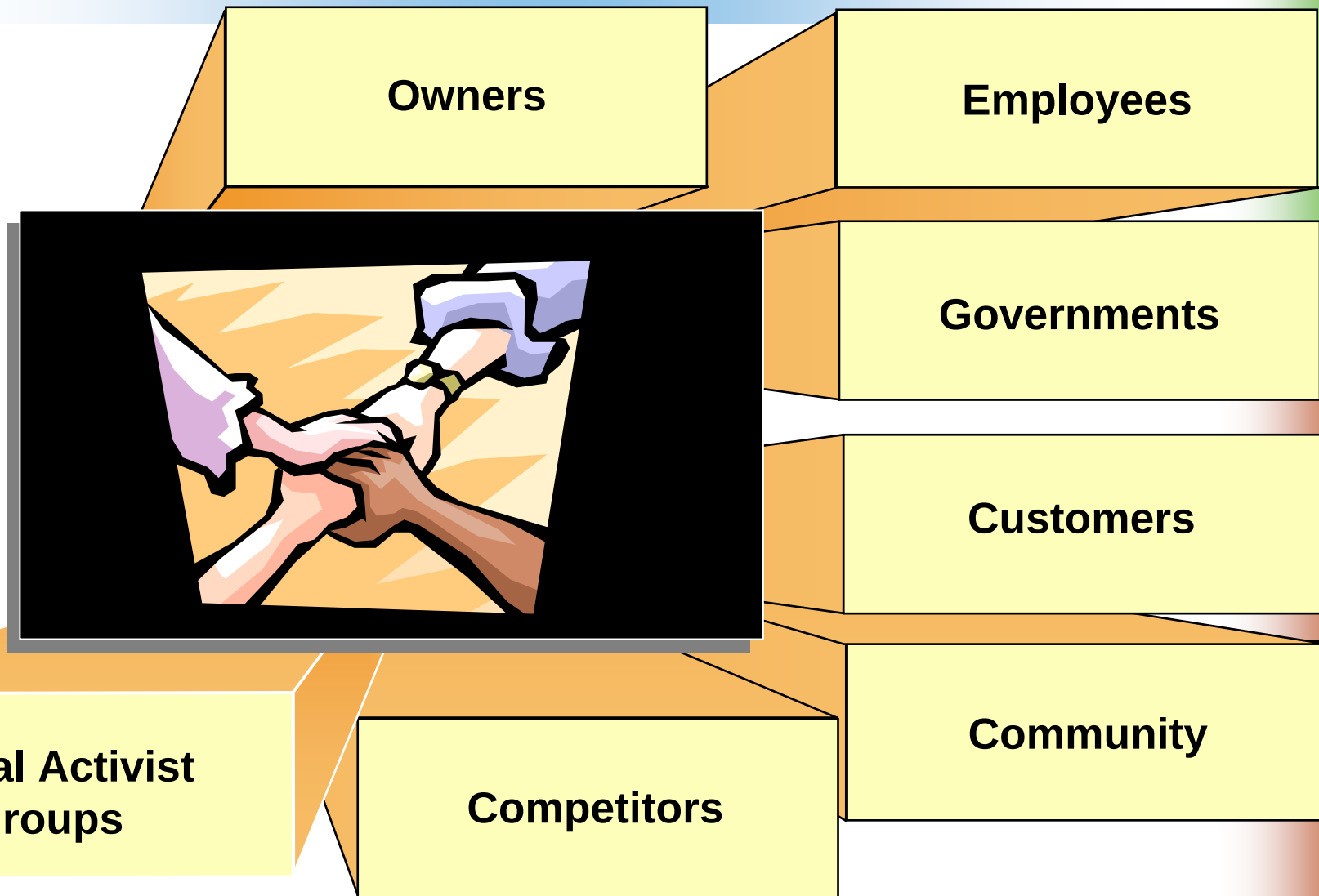
- **Are good corporate citizens to the community and to the environment.**
- **Policies can enhance the image of a company as well as its product brands from the perspective of the consumers.**
- **Have fewer conflicts with stakeholder groups who disagree with the company over how it uses its resources.**
- **Are more likely to influence stakeholders to become loyal customers and become advocates of the company's products.**
- **Research shows that corporate social responsibility is related to higher financial performance and the ability to recruit better quality job applicants.**

Costs of Social Responsibility

- **Socially responsible companies may:**

- Lose focus on the business goals while focusing on goals related to good corporate citizenship.
- Divert needed resources for improving the business into other social responsibility projects which could put a company at a competitive disadvantage.

Organizational Stakeholders



Strategies for Managing Stakeholders

F r q i u r q w d w l r q

G d p d j h # F r q w u r o

D f f r p p r g d w l r q

S u r d f w l y h # D s s u r d f k



Strategies for Managing Stakeholders

(continued)

- **Confrontation strategies** use courts, public relations, and lobbying to fight a stakeholder group.
- **Damage control strategies** admit mistakes and attempt to improve public image and their relationship with stakeholders.
- **Accommodation strategies** accept social responsibility for business practices and make appropriate changes.
- **Proactive strategies** signify a partnership with the stakeholder and go beyond the groups expectations.

Applications: Management is Everyone's Business— *For the Manager*

- **It is critical for a manager to be seen as an ethical person.**
- **Managers are role models for other employees and are held to a higher standard of personal conduct.**
- **Managers are responsible for creating an environment that supports ethical behavior and discourages unethical behavior.**
- **A manager should set goals for ethical conduct.**

Applications: Management is Everyone's Business— *For Managing Teams*

- **Teams must place a high priority on behaving ethically.**
- **When teams or groups tolerate unethical conduct, it can be very difficult to extinguish this norm.**
- **Tolerance of unethical activities can lead to more serious breaches of conduct that can damage the reputation of the entire team.**

Applications: Management is Everyone's Business— *For Individuals*

●Front-page ethical test

- How would I feel if my decision became a headline in a local newspaper?
- Would I feel comfortable describing my actions or decision to a customer or stockholder?

●Golden rule ethical test

- Would I be willing to be treated in the same manner?

●Personal gain test

- Is an opportunity for personal gain clouding my judgment?